

17  
6-14-05

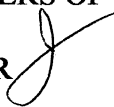
## City of Alexandria, Virginia

---

### MEMORANDUM

DATE: JUNE 14, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: CONSIDERATION OF AN ORDINANCE TO REFORM THE BUSINESS  
LICENSE TAX RELIEF FOR SMALL AND MEDIUM SIZED BUSINESSES

---

Attached is a revised ordinance to provide business license tax relief and simplification to small and medium sized businesses in their first two years of operation. The copy of the proposed ordinance which was originally sent to Council and this revised ordinance have the same tax effect. The ordinance was revised to make it easier to read and understand.

The original draft ordinance had separate provisions for those businesses whose first year gross receipts were in excess of \$2 million and a separate section for those businesses whose gross receipts were less than \$2 million. The revised ordinance combines these sections into one easier to read section and thus eliminates one previously proposed new section of the Code (Section 9-1-18.1). Also the revised ordinance specifies that businesses are required to keep sufficient records of their gross receipts for the current year and three prior years. This has been the long-standing standard, as it enables the City to audit tax returns for this self-reported tax.

**ATTACHMENT:** Revised proposed ordinance

**STAFF:**

Mark Jinks, Assistant City Manager for Fiscal and Financial Affairs

D. A. Neckel, Director of Finance

17  
6-14-05

ORDINANCE NO. . :  
[REVISED JUNE 14, 2005]

AN ORDINANCE to amend and reordain Sections 9-1-4 (LICENSE YEAR) , 9-1-6 (LEVY), 9-1-12 (PENALTY FOR FAILURE TO PAY WHEN DUE), 9-1-18 (BEGINNER'S LICENSE WHEN TAX IS BASED ON GROSS RECEIPTS), 9-1-42 (INVESTIGATIONS GENERALLY, RECORD-KEEPING, AUDIT AUTHORITY), 9-1-43 (APPEALS), and 9-1-44 (ADMINISTRATIVE RULINGS), and to enact new Sections 9-1-43.1 (ADMINISTRATIVE APPEAL TO STATE TAX COMMISSIONER), and 9-1-43.2 (JUDICIAL REVIEW OF DETERMINATION OF STATE TAX COMMISSIONER), of Article A (GENERAL PROVISIONS); to amend and reordain Section 9-1-78 (WHOLESALE MERCHANTS) of Article C (NONREGULATORY LICENSES), and to amend and reordain Section 9-1-116 (SAME-FEES) of Article E (DISTRESS MERCHANDISE SALES), all of Chapter 1 (BUSINESS LICENSES), Title 9 (LICENSING AND REGULATION), of the Code of the City of Alexandria, Virginia, 1981, as amended.

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That Sections 9-1-4, 9-1-6, 9-1-12, 9-1-18, 9-1-42, 9-1-43, and 9-1-44 of the Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby are, amended and reordained, and that Sections 9-1-43.1, and 9-1-43.2 be, and the same hereby are, enacted as part of Article A, Chapter 1, Title 9, of the Code of the City of Alexandria, Virginia, 1981, as amended, to read as follows:

Section 9-1-4 License year.

Except where otherwise herein specifically provided, the license year shall begin on January 1 in each year and shall end on December 31 of each year. The business license shall remain valid until February 28 of the following year.

Section 9-1-6 Levy.

- (a) For the privilege of engaging in a business in the city, there are hereby levied upon, and there shall be assessed against and collected from, the person engaging in the business an annual license tax as set forth in this chapter, which license tax shall be for the support of the city government, the payment of the city debts and interest thereon and for other municipal purposes.
- (b) Except as provided in sections 9-1-18 and 9-1-18.1 of this chapter, any license tax which is based in whole or in part on gross receipts shall be measured by the gross receipts with situs in the city, under section 9-1-7 for the license year next

preceding the then current license year from the base year as defined in section 9-1-2 of this chapter.

Section 9-1-12 Penalty for failure to pay when due.

- (a) There shall be a penalty of 10 percent or \$10, whichever is greater, added to all license taxes levied under the provisions of this chapter that are unpaid on the due dates thereof and are, therefore, delinquent.
- (b) ~~In addition thereto, interest at the rate of 10 percent per annum on the delinquent license taxes and penalty shall commence on the first day following the day such taxes are due.~~ Penalty shall commence on the first day following the day such taxes are due.
- (c) ~~The penalties~~ Penalty and interest shall not be imposed, or if imposed shall be abated, by the director if the failure to pay license taxes when due was not the fault of the licensee. In order to demonstrate lack of fault, the licensee must show that he acted responsibly and that his failure to pay was due to events beyond his control. The term "acted responsibly" means that (i) the licensee exercised the same care that a reasonable and prudent person engaged in business would have exercised in determining the filing obligations for the business, and (ii) the licensee undertook significant steps to avoid or to mitigate his failure, such as promptly rectifying the failure once discovered.

Section 9-1-18 Beginner's license when tax is based on gross receipts.

- (a) Every person beginning a business which is subject to a license tax under the provisions of this chapter based in whole or in part on gross receipts shall estimate the amount of the gross receipts that he will receive between the date of beginning business and the end of the then current license year, and the license tax for the current year shall be computed upon that estimate, according to the provisions of this section, except as provided in Section 9-1-18(g).
- (b) ~~Every person conducting a business which is subject to a license tax under the provisions of this chapter based in whole or in part on gross receipts who began the business during the license year next preceding the then current license year shall estimate the amount of the gross receipts the business will receive during the current license year, and his license year shall be computed upon that estimate.~~
- (b) For the first calendar year of operation of the business (the then current license year), the license tax shall be at the applicable amount, based upon estimated gross receipts for that year, as follows:

- 1 (1) if the estimated gross receipts for the first year are less than \$100,000, \$0;  
2  
3 (2) if the estimated gross receipts for the first year are greater than or equal to  
4 \$100,000, but less than \$2,000,000, \$50; or  
5  
6 (3) if the estimated gross receipts for the first year are greater than or equal to  
7 \$2,000,000, an amount as determined at the applicable rate.  
8

9 (c) For the second calendar year of the operation of the business:  
10

- 11 (1) if the actual gross receipts for the previous year (the first calendar year of  
12 operation of the business) were less than \$2,000,000, and the estimated  
13 gross receipts for that previous year were less than \$2,000,000, the license  
14 tax shall be:  
15

16 (A) if the actual gross receipts for the previous year were less than  
17 \$10,000, \$0;  
18

19 (B) if the actual gross receipts for the previous year were at least  
20 \$10,000, but less than \$100,000, \$50; or  
21

22 (C) if the actual gross receipts for the previous year were \$100,000 or  
23 greater, an amount as determined at the applicable rate; and  
24

- 25 (2) if the actual gross receipts for the previous year (the first calendar year of  
26 operation of the business) were less than \$2,000,000, but the estimated  
27 gross receipts for that previous year were greater than or equal to  
28 \$2,000,000, the license tax shall be as follows, less the payment made on  
29 the prior year estimate excluding the \$50 flat fee component of the tax on  
30 the prior year estimate:  
31

32 (A) if the actual gross receipts for the previous year were less than  
33 \$10,000, \$0;  
34

35 (B) if the actual gross receipts for the previous year were at least  
36 \$10,000, but less than \$100,000, \$50; or  
37

38 (C) if the actual gross receipts for the previous year were \$100,000 or  
39 greater, an amount as determined at the applicable rate; and  
40

- 41 (3) if the actual gross receipts for the previous year (the first calendar year of  
42 operation of the business) were greater than or equal to \$2,000,000, the  
43 license tax shall be the total of:

- 1
- 2 (A) an amount determined at the applicable rate, based upon actual
- 3 gross receipts for the previous year; and
- 4
- 5 (B) an amount determined, based upon estimated gross receipts for the
- 6 second calendar year of operation of the business, as follows:
- 7
- 8 (i) if such gross receipts are estimated to be less than \$10,000,
- 9 \$0;
- 10
- 11 (ii) if such gross receipts are estimated to be at least \$10,000,
- 12 but less than \$100,000, \$50; or
- 13
- 14 (iii) if such gross receipts are estimated to be \$100,000 or
- 15 greater, an amount as determined at the applicable rate; and
- 16

17 all businesses under this subsection (c)(3) shall be subject to an adjustment

18 for the license tax assessed in subsection (b) of this section.

19

- 20 (d) For the third and subsequent calendar years of the operation of the business, the
- 21 license tax shall be based upon actual gross receipts for the immediately previous
- 22 year, as follows:
- 23

- 24 (1) if the actual gross receipts for the immediately previous year were less
- 25 than \$10,000, \$0;
- 26
- 27 (2) if the actual gross receipts for the immediately previous year were at least
- 28 \$10,000, but less than \$100,000, \$50; or
- 29
- 30 (3) if the actual gross receipts for the immediately previous year were
- 31 \$100,000 or greater, an amount as determined at the applicable rate; and
- 32

33 for the third calendar year of the operation of the business only, all businesses that

34 were assessed a license tax based upon estimated gross receipts under subsection

35 (c)(3)(B) of this section shall be subject to an adjustment for that license tax

36 assessed.

37

- 38 (e) Whenever a license tax is so computed upon estimated gross receipts of greater
- 39 than \$2,000,000, any erroneous estimate shall be subject to correction. In the case
- 40 of an underestimate, the director shall assess the person with any additional
- 41 license tax found to be due after the close of the current license year, and, in case
- 42 of an overestimate, the licensee shall be entitled to a credit upon his license taxes
- 43 payable the following year.

- 1  
2 (f) The provisions of this section shall not apply to the following business tax  
3 categories: renting by owners of dwelling units or commercial establishments,  
4 contractors, wholesale merchants, amusements, public utilities, and regulatory  
5 activities.  
6

7 Section 9-1-42 Investigations generally; record-keeping; audit authority.  
8

- 9 (a) The director may make investigations of the things and matters in this chapter laid  
10 to his charge, and shall have power to summon before him any person whom he  
11 believes may have knowledge or evidence touching upon the conduct of any  
12 business in the city or touching upon the possession or operation of any coin-  
13 operated machine in the city, and to require such person to answer under oath any  
14 question relating to the matters under investigation.  
15  
16 (b) Every person who is assessable with a license tax shall keep ~~accurate and correct~~  
17 ~~for the current and three prior years sufficient~~ records ~~and books of accounts~~  
18 ~~which reflect true tax liability for the current license year and the three previous~~  
19 ~~license years. These records and books of accounts may be kept on either a cash or~~  
20 ~~an accrual basis but the system of accounts shall be the same as that used for~~  
21 ~~federal income taxes. These records and books of accounts shall be kept in such a~~  
22 ~~manner so as to enable the director to verify the correctness of the tax paid for the~~  
23 ~~current license years assessable and the three previous license years and to enable~~  
24 ~~the director to ascertain what is the correct amount of tax that was assessable for~~  
25 ~~each of those years. All such records, books of accounts and other information~~  
26 ~~shall be open to inspection and examination by the director in order to allow the~~  
27 ~~director to establish whether a particular receipt is directly attributable to the~~  
28 ~~taxable privilege exercised within the city. In the event that the director conducts~~  
29 ~~an audit pursuant to his authority in section 58.1-3109 of the Code of Virginia~~  
30 ~~(1950), the~~ The director shall provide the taxpayer with the option to conduct the  
31 audit in the taxpayer's local business office, if the records are maintained there. In  
32 the event the records are maintained outside this jurisdiction, copies of the  
33 appropriate books and records shall be sent to the director's office upon demand.  
34

35 Section 9-1-43 Administrative Appeals to the Director of Finance.  
36

- 37 (a) Definitions. For purposes of this section:  
38

39 "Amount in dispute," when used with respect to taxes due or assessed, means the  
40 amount specifically identified in the administrative appeal or application for  
41 judicial review as disputed by the party filing such appeal or application.  
42

1 “Appealable event” means an increase in the assessment of a local license tax  
2 payable by a taxpayer, the denial of a refund, or the assessment of a local license  
3 tax where none previously was assessed, arising out of the local assessing  
4 official's (i) examination of records, financial statements, books of account, or  
5 other information for the purpose of determining the correctness of an assessment;  
6 (ii) determination regarding the rate or classification applicable to the licensable  
7 business; (iii) assessment of a local license tax when no return has been filed by  
8 the taxpayer; or (iv) denial of an application for correction of erroneous  
9 assessment attendant to the filing of an amended application for license.

10  
11 “Frivolous” means a finding, based on specific facts, that the party asserting the  
12 appeal is unlikely to prevail upon the merits because the appeal is (i) not well  
13 grounded in fact; (ii) not warranted by existing law or a good faith argument for  
14 the extension, modification, or reversal of existing law; (iii) interposed for an  
15 improper purpose, such as to harass, to cause unnecessary delay in the payment of  
16 tax or a refund, or to create needless cost from the litigation; or (iv) otherwise  
17 frivolous.

18  
19 “Jeopardize by delay” means a finding, based on specific facts, that a taxpayer  
20 desires to (i) depart quickly from the locality; (ii) remove his property therefrom;  
21 (iii) conceal himself or his property; or (iv) do any other act tending to prejudice,  
22 or to render wholly or partially ineffectual, proceedings to collect the tax for the  
23 period in question.

- 24  
25 (a) (b) Filing and contents of administrative appeal. Any person assessed with a license  
26 tax as a result of an appealable event as defined in this section may, ~~within 90~~  
27 ~~days from the date of such assessment, apply to file an administrative appeal of~~  
28 ~~the assessment within one year from the last day of the tax year for which such~~  
29 ~~assessment is made, or within one year from the date of the appealable event,~~  
30 ~~whichever is later, with the director for a correction of the assessment.~~ The  
31 ~~application appeal shall must~~ be filed in good faith and ~~shall sufficiently~~ identify  
32 the licensee taxpayer, the tax periods covered by the challenged assessments, the  
33 amount in dispute, the remedy sought, each alleged error in the assessment, the  
34 grounds upon which the licensee taxpayer relies, and any other facts relevant to  
35 the licensee's taxpayer's contention. The director may hold a conference with the  
36 taxpayer if requested by the taxpayer, or require submission of additional  
37 information and documents, an audit or further audit, or other evidence deemed  
38 necessary for a proper and equitable determination of the appeal and may conduct  
39 an audit. The assessment placed at issue in the appeal shall be deemed prima  
40 facie correct. The director shall undertake a full review of the licensee's  
41 taxpayer's claims and, ~~upon the conclusion of such review,~~ issue a written  
42 determination on the appeal to the taxpayer setting forth the director's position  
43 facts and arguments in support of his decision.

1 (b) ~~Any licensee aggrieved by an audit conducted by the director may appeal the audit~~  
2 ~~findings in the manner set forth in subsection (a). Any new or revised assessment~~  
3 ~~resulting from an audit shall be accompanied by a written explanation of the~~  
4 ~~licensee's right to apply for a correction of the assessment and of the specific~~  
5 ~~procedure to be followed.~~

6  
7 (c) Notice of right of appeal and procedures. Every assessment made by a director  
8 pursuant to an appealable event shall include or be accompanied by a written  
9 explanation of the taxpayer's right to file an administrative appeal and the specific  
10 procedures to be followed in the jurisdiction (the name and address to which the  
11 appeal should be directed), an explanation of the required content of the appeal,  
12 and the deadline for filing the appeal.

13  
14 (d) Suspension of collection activity during appeal. Provided a timely and complete  
15 administrative appeal is filed, collection activity with respect to the amount in  
16 dispute shall be suspended until a final determination is issued by the director,  
17 unless (i) the director determines that collection would be jeopardized by delay as  
18 defined in this section; (ii) the taxpayer has not responded to a request for relevant  
19 information after a reasonable time; or (iii) the appeal is frivolous as defined in  
20 this section. Interest shall accrue in accordance with the provisions of Section 9-  
21 1-46, but no further penalty shall be imposed while collection action is suspended.

22  
23 (e) Procedure in event of nondecision. Any taxpayer whose administrative appeal to  
24 the director pursuant to the provisions of this section has been pending for more  
25 than one year without the issuance of a final determination may, upon not less  
26 than 30 days' written notice to the director, elect to treat the appeal as denied and  
27 appeal the assessment to the State Tax Commissioner in accordance with the  
28 provisions of subdivision 6 of this subsection. The State Tax Commissioner shall  
29 not consider an appeal filed pursuant to the provisions of this subsection if he  
30 finds that the absence of a final determination on the part of the director was  
31 caused by the willful failure or refusal of the taxpayer to provide information  
32 requested and reasonably needed by the director to make his determination.

33  
34 Section 9-1-43.1 Administrative Appeal to the State Tax Commissioner.

35  
36 (a) Any person assessed with a local license tax as a result of a determination, upon  
37 an administrative appeal to the director pursuant to Section 9-1-43, that is adverse  
38 to the position asserted by the taxpayer in such appeal may appeal such  
39 assessment to the State Tax Commissioner within 90 days of the date of the  
40 determination by the director. The appeal shall be in such form as the State Tax  
41 Commissioner may prescribe and the taxpayer shall serve a copy of the appeal  
42 upon the director. The State Tax Commissioner shall permit the director to  
43 participate in the proceedings, and shall issue a determination to the taxpayer



1 within 90 days of receipt of the taxpayer's application, unless the taxpayer and the  
2 director are notified that a longer period will be required. The appeal shall  
3 proceed in the same manner as an application pursuant to Virginia Code § 58.1-  
4 1821 and amendment(s) thereto, and the State Tax Commissioner may issue an  
5 order correcting such assessment pursuant to Virginia Code § 58.1-1822 and any  
6 amendment(s) thereto.

7  
8 (b) Suspension of collection activity during appeal. On receipt of a notice of intent to  
9 file an appeal to the State Tax Commissioner under subsection (a) of this section,  
10 collection activity with respect to the amount in dispute shall be suspended until a  
11 final determination is issued by the State Tax Commissioner, unless (i) the  
12 director determines that collection would be jeopardized by delay as defined in  
13 Section 9-1-43; (ii) the taxpayer has not responded to a request for relevant  
14 information after a reasonable time; or (iii) the appeal is frivolous as defined in  
15 Section 9-1-43. Interest shall accrue in accordance with the provisions of Section  
16 9-1-46, but no further penalty shall be imposed while collection action is  
17 suspended. The requirement that collection activity be suspended shall cease  
18 unless an appeal pursuant to subsection (a) of this section is filed and served on  
19 the necessary parties within 30 days of the service of notice of intent to file such  
20 appeal.

21  
22 (c) Implementation of determination of State Tax Commissioner. Promptly upon  
23 receipt of the final determination of the State Tax Commissioner with respect to  
24 an appeal pursuant to subsection (a) of this section, the director shall take those  
25 steps necessary to calculate the amount of tax owed by or refund due to the  
26 taxpayer consistent with the State Tax Commissioner's determination and shall  
27 provide that information to the taxpayer.

28  
29 (1) If the determination of the State Tax Commissioner sets forth a specific  
30 amount of tax due, the director shall issue a bill to the taxpayer for such amount  
31 due, together with interest accrued, within 30 days of the date of the determination  
32 of the State Tax Commissioner.

33  
34 (2) If the determination of the State Tax Commissioner sets forth a specific  
35 amount of refund due, the director shall issue a payment to the taxpayer for such  
36 amount due, together with interest accrued pursuant to this section, within 30 days  
37 of the date of the determination of the State Tax Commissioner.

38  
39 (3) If the determination of the State Tax Commissioner does not set forth a  
40 specific amount of tax due, or otherwise requires the director to undertake a new  
41 or revised assessment that will result in an obligation to pay a tax that has not  
42 previously been paid in full, the director shall promptly commence the steps  
43 necessary to undertake such new or revised assessment, and provide the same to

1 the taxpayer within 60 days of the date of the determination of the State Tax  
2 Commissioner, or within 60 days after receipt from the taxpayer of any additional  
3 information requested or reasonably required under the determination of the State  
4 Tax Commissioner, whichever is later. The director shall issue a bill to the  
5 taxpayer for the amount due, together with interest accrued, within 30 days of the  
6 date of the new assessment.

7  
8 (4) If the determination of the State Tax Commissioner does not set forth a  
9 specific amount of refund due, or otherwise requires the director to undertake a  
10 new or revised assessment that will result in an obligation on the part of the  
11 locality to make a refund of taxes previously paid, the director shall promptly  
12 commence the steps necessary to undertake such new or revised assessment, and  
13 provide the same to the taxpayer within 60 days of the date of the determination of  
14 the State Tax Commissioner, or within 60 days after receipt from the taxpayer of  
15 any additional information requested or reasonably required under the  
16 determination of the State Tax Commissioner, whichever is later. The director  
17 shall issue a refund to the taxpayer for the amount of tax due, together with  
18 interest accrued, within 30 days of the date of the new assessment.

19  
20 Section 9-1-43.2 Judicial Review of Determination of State Tax Commissioner.

21  
22 (a) Judicial review. Following the issuance of a final determination of the State Tax  
23 Commissioner pursuant to Section 9-1-43.1, the director may apply to the circuit  
24 court for judicial review of the determination, or any part thereof, pursuant to  
25 Virginia Code § 58.1-3984 and any amendment(s) thereto. In any such  
26 proceeding for judicial review of a determination of the State Tax Commissioner,  
27 the burden shall be on the party challenging the determination of the State Tax  
28 Commissioner, or any part thereof, to show that the ruling of the State Tax  
29 Commissioner is erroneous with respect to the part challenged. Neither the State  
30 Tax Commissioner nor the Virginia Department of Taxation shall be made a party  
31 to an application to correct an assessment merely because the State Tax  
32 Commissioner has ruled on it.

33  
34 (b) Suspension of payment of disputed amount of tax due upon taxpayer's notice of  
35 intent to initiate judicial review.

36  
37 (1) On receipt of a notice of intent to file an application for judicial review,  
38 pursuant to Virginia Code § 58.1-3984 and any amendment(s) thereto, of a  
39 determination of the State Tax Commissioner pursuant to Section 9-1-  
40 43.1, and upon payment of the amount of the tax that is not in dispute  
41 together with any penalty and interest then due with respect to such  
42 undisputed portion of the tax, the director shall further suspend collection  
43 activity while the court retains jurisdiction unless the court, upon

1 appropriate motion after notice and an opportunity to be heard, determines  
2 that (i) the taxpayer's application for judicial review is frivolous, as  
3 defined in Section 9-1-43; (ii) collection would be jeopardized by delay, as  
4 defined in Section 9-1-43; or (iii) suspension of collection would cause  
5 substantial economic hardship to the locality. For purposes of determining  
6 whether substantial economic hardship to the locality would arise from a  
7 suspension of collection activity, the court shall consider the cumulative  
8 effect of then-pending appeals filed within the locality by different  
9 taxpayers that allege common claims or theories of relief.

- 10  
11 (2) Upon a determination that the appeal is frivolous, that collection may be  
12 jeopardized by delay, or that suspension of collection would result in  
13 substantial economic hardship to the locality, the court may require the  
14 taxpayer to pay the amount in dispute or a portion thereof, or to provide  
15 surety for payment of the amount in dispute in a form acceptable to the  
16 court.
- 17  
18 (3) No suspension of collection activity shall be required if the application for  
19 judicial review fails to identify with particularity the amount in dispute.
- 20  
21 (4) The requirement that collection activity be suspended shall cease unless an  
22 application for judicial review pursuant to § 58.1-3984 and any  
23 amendment(s) thereto is filed and served on the necessary parties within  
24 30 days of the service of the notice of intent to file such application.
- 25  
26 (5) The suspension of collection activity authorized by this subdivision shall  
27 not be applicable to any appeal of a local license tax that is initiated by the  
28 direct filing of an action pursuant to § 58.1-3984 and any amendment(s)  
29 thereto without prior exhaustion of the appeals provided by Sections 9-1-  
30 43 and 9-1-43.1.

31  
32 (c) Suspension of payment of disputed amount of refund due upon city's notice of  
33 intent to initiate judicial review.

- 34  
35 (1) Payment of any refund determined to be due pursuant to the determination  
36 of the State Tax Commissioner of an appeal pursuant to Section 9-1-43.1  
37 shall be suspended if the city serves upon the taxpayer, within 60 days of  
38 the date of the determination of the State Tax Commissioner, a notice of  
39 intent to file an application for judicial review of the State Tax  
40 Commissioner's determination pursuant to § 58.1-3984 and any  
41 amendment(s) thereto and pays the amount of the refund not in dispute,  
42 including tax and accrued interest. Payment of such refund shall remain  
43 suspended while the court retains jurisdiction unless the court, upon

1 appropriate motion after notice and an opportunity to be heard, determines  
2 that the city's application for judicial review is frivolous, as defined in this  
3 section.

4  
5 (2) No suspension of refund activity shall be permitted if the city's application  
6 for judicial review fails to identify with particularity the amount in dispute.

7  
8 (3) The suspension of the obligation to make a refund shall cease unless an  
9 application for judicial review pursuant to § 58.1-3984 and any  
10 amendment(s) thereto is filed and served on the necessary parties within  
11 30 days of the service of the notice of intent to file such application.

12  
13 (d) Accrual of interest on unpaid amount of tax. Interest shall accrue in accordance  
14 with the provisions of Section 9-1-46, but no further penalty shall be imposed  
15 while collection action is suspended.

16  
17 Section 9-1-44 Administrative rulings.

18  
19 Any ~~licensee taxpayer~~ or authorized representative of a taxpayer may request a written ruling  
20 from the director regarding the application of the tax levied by this chapter to a specific situation.  
21 ~~A licensee~~ Any person requesting such a ruling shall must provide all the facts relevant ~~facts for~~  
22 to the situation placed at issue and may present a rationale for the basis of an interpretation of the  
23 law most favorable to the ~~licensee taxpayer~~. Any misrepresentation ~~by the licensee and any or~~  
24 change in the applicable law or the factual situation as presented in the ruling request shall  
25 invalidate any such ruling issued. A written ruling may be prospectively revoked or  
26 prospectively amended if (i) there is a court decision or a change in the law or regulation change  
27 in the law, a court decision, or the guidelines issued by the Virginia Department of Taxation  
28 upon which the ruling was based, or (ii) the director notifies the licensee taxpayer of a change in  
29 the policy or interpretation upon which the ruling was based. A However, any person who acts  
30 on a written ruling which later becomes invalid shall be deemed to have acted in good faith  
31 during the period in which the ruling was in effect.

32  
33 Section 2. That Section 9-1-78 of the Code of the City of Alexandria, Virginia,  
34 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

35  
36 Section 9-1-78 Wholesale merchants.

37  
38 Every person who engages in or conducts the business of a wholesale merchant in, and  
39 who maintains a definite place of business in, the city shall pay for the privilege of doing so an  
40 annual license tax of \$50 or, if the business' annual gross receipts purchases with situs in the city  
41 equal or exceed \$100,000, \$0.05 for each \$100 of all the business' gross receipts purchases with  
42 such situs, ~~whichever amount is greater.~~

Section 3. That Section 9-1-116 of the Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Section 9-1-116 Same-fees.

The fee for licenses issued pursuant to this article shall be ~~\$30~~ \$50 or twenty cents (\$0.20) for each \$100 of gross receipts from sales during the entire period of the distress merchandise sale, whichever is greater. The license may be renewed without fee under the conditions prescribed in section 9-1-121 of this code.

Section 4. That this ordinance shall become effective July 1, 2005.

WILLIAM D. EUILLE  
Mayor


Introduction: 6/14/2005  
First Reading: 6/14/2005  
Publication:  
Public Hearing:  
Second Reading  
Final Passage:

## City of Alexandria, Virginia

## MEMORANDUM

DATE: JUNE 7, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: CONSIDERATION OF AN ORDINANCE TO REFORM THE BUSINESS  
LICENSE TAX RELIEF FOR SMALL AND MEDIUM SIZED BUSINESSES

---

**ISSUE:** Consideration of an ordinance, which provides business license tax relief, reform and simplification for small and medium sized businesses in their first two years of operation

**RECOMMENDATION:** That City Council pass the proposed business license tax ordinance on first reading and schedule it for public hearing, second reading and final passage on Tuesday, June 21.

**DISCUSSION:** Since the business license tax transformation across Virginia nearly fifty years ago from a flat fee tax system to one based on gross receipts, the business license tax in Virginia for new businesses in their first three years of operation has been a complex and convoluted tax for businesses to understand and for local governments to administer. This complexity has been driven by the practice of having businesses base their first two years taxes, which are paid up front on estimated future gross receipts, rather than pay after the tax year is complete based on actual gross receipts. After each of these estimated years it has been necessary to "true-up" the tax paid by using actual rather than estimated gross receipts. Finally, having new, start-up small and medium sized businesses pay their business license taxes up front before they earned their estimated gross also exacerbates the cash flow squeeze that most businesses experience when they first get started. This method of up front taxation based on estimated gross receipts and subsequent true-ups, while seeming overly complex, is the standard practice in Virginia.

As part of the FY 2006 budget considered by Council this spring, it was proposed, and Council approved, that the City undertake a major reform of its business license tax system in order to benefit small and medium sized businesses. What is proposed, in general terms, is that businesses which have estimated gross receipts of \$2 million or less in the first year of operation would pay a one-time \$50 fee to obtain its business license, then for the second year of operations pay the business license tax based on the first year actual gross receipts, and pay the business license tax in the third year based upon the second year actuals. Such a new reformed system, which may be the first in Virginia to be structured this way, reduces the business's tax burden to only \$50 in the first year, and then on average cuts the tax burden in about half for the second year. True-ups are eliminated for these businesses. By implementing these reforms of the business license tax, the

City will be leaving needed funds in start-up businesses' coffers at a time when those businesses most need these funds. In addition, this tax reform will serve as an incentive for businesses to locate in Alexandria, and represent a very cost effective economic development advantage for the City.

The proposed ordinance details the following major concept changes to the business license tax structure:

- A person beginning a business which is subject to a license tax under the provisions of this Chapter shall estimate the amount of the gross receipts that he or she will receive between the date of beginning business and the end of the calendar year. The business license tax for the first year of operation shall be computed upon that estimate. The first year license tax/fee will be based on the following tiers:

**Estimated Gross Receipts**

\$0 - \$100,000

\$100,001 - \$2,000,000

\$2,000,001 and greater

**Tax Payment**

\$0

\$50 fee

Estimated Gross Receipts Multiplied by Tax Rate

- Businesses in the second calendar year of operation will pay a license tax based on actual gross receipts earned during the prior calendar year, unless the **actual gross receipts** for the first license year of the business were over \$2,000,000.
- If the actual gross receipts were over \$2,000,000 for the first license year of operation and the business start date is after January 1, a business must estimate gross receipts for its second license year of operation.
- If the business estimated gross receipts of \$2,000,000 or less for its first license year and paid the \$50 fee, but actual gross receipts for the first license year exceeded \$2,000,000, the business must pay an adjusted tax for its first year in business. The adjusted tax is calculated using the first year's actual gross receipts multiplied by the tax rate, minus the \$50 fee paid for the first license year. Additionally, that business must pay the second license year tax based on estimated gross receipts for the second tax year. In the third year, that business pays the third year license paid on its second year actuals, as well as true-up (credit or refund) the difference between its second year estimated and second year actual receipts.
- Whenever a taxpayer's license tax is computed upon estimated gross receipts of \$2,000,001 or more, any over/underestimate shall be subject to correction. In the case of an underestimate, the City will assess the person with any additional license tax found to be due after the close of the license year, and, in case of an overestimate, the business shall be entitled to a credit or refund.

- The second year license tax/fee will be based on the following tiers:

**First Year**

**Actual Gross Receipts**

\$0 - \$9,999

\$10,000 - \$99,999

\$100,000 and greater

**Tax Payment**

\$0

\$50 fee

Actual Gross Receipts of the First Year  
Multiplied by Tax Rate

- All businesses must maintain tax records for current and three prior license years and are subject to audit by the Finance Department.
- The above tax rate structure does not apply to the following business tax categories: renting residential/commercial properties, contractors, wholesalers, amusements, utility companies and regulatory activities.
- Other changes provide the detailed mechanics for the above concepts and eliminate inconsistencies in the existing Code.

**FISCAL IMPACT:** It is roughly estimated that, based on the number and tax returns of new businesses received in prior years, the proposed ordinance will benefit approximately 100 businesses in FY 2006 at a cost of \$0.2 million. In FY 2007 and beyond, the estimated cost is \$0.4 million and would benefit approximately 200 businesses. As a result of the tax simplification more businesses will receive a benefit in the second year of operation than the first. The FY 2006 revenue projections which were part of the FY 2006 approved budget reflected a \$0.2 million reduction in estimated revenues due to this proposed initiative.

**ATTACHMENT:** Proposed Council Ordinance

**STAFF:**

Mark Jinks, Assistant City Manager for Fiscal and Financial Affairs  
D. A. Neckel, Director of Finance



Introduction and first reading:	6/14/05
Public hearing:	6/21/05
Second reading and enactment:	6/21/05

INFORMATION ON PROPOSED ORDINANCE

Title

AN ORDINANCE to amend and reordain Sections 9-1-4 (LICENSE YEAR) , 9-1-6 (LEVY), 9-1-12 (PENALTY FOR FAILURE TO PAY WHEN DUE), 9-1-18 (BEGINNER'S LICENSE WHEN TAX IS BASED ON GROSS RECEIPTS), 9-1-42 (INVESTIGATIONS GENERALLY, RECORD-KEEPING, AUDIT AUTHORITY), 9-1-43 (APPEALS), and 9-1-44 (ADMINISTRATIVE RULINGS), and to enact new Sections 9-1-18.1 (BEGINNER'S LICENSE FOR CERTAIN BUSINESS WHEN TAX IS BASED ON GROSS RECEIPTS), 9-1-43.1 (ADMINISTRATIVE APPEAL TO STATE TAX COMMISSIONER), and 9-1-43.2 (JUDICIAL REVIEW OF DETERMINATION OF STATE TAX COMMISSIONER), of Article A (GENERAL PROVISIONS); to amend and reordain Section 9-1-78 (WHOLESALE MERCHANTS) of Article C (NONREGULATORY LICENSES), and to amend and reordain Section 9-1-116 (SAME-FEES) of Article E (DISTRESS MERCHANDISE SALES), all of Chapter 1 (BUSINESS LICENSES), Title 9 (LICENSING AND REGULATION), of the Code of the City of Alexandria, Virginia, 1981, as amended

Summary

The proposed ordinance revised the procedures for reporting and payment of license taxes for persons beginning business in the City. The proposed ordinance also revises the Code as it relates to business licenses, to make the Code consistent with revisions to the Code of Virginia and to make certain technical changes.

Sponsor

Staff

Mark Jinks, Assistant City Manager  
Bernard Caton, Legislative Director  
Daniel A. Neckel, Director of Finance  
Debbie Kidd, Division Chief, Revenue  
Ignacio B. Pessoa, City Attorney  
Roderick B. Williams, Assistant City Attorney

Authority

§§ 58.1-3700, et seq., Code of Virginia  
Chapter 927, Virginia Acts of Assembly, 2005 Reconvened Session  
§§ 2.02(a)(5) and 5.20, Alexandria City Charter

Estimated Costs of Implementation

None

Attachments in Addition to Proposed Ordinance and its Attachments (if any)

None

C:\Documents and Settings\jhenders\Local Settings\Temp\notesC9812B\bpol tax cover.wpd

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE to amend and reordain Sections 9-1-4 (LICENSE YEAR) , 9-1-6 (LEVY), 9-1-12 (PENALTY FOR FAILURE TO PAY WHEN DUE), 9-1-18 (BEGINNER'S LICENSE WHEN TAX IS BASED ON GROSS RECEIPTS), 9-1-42 (INVESTIGATIONS GENERALLY, RECORD-KEEPING, AUDIT AUTHORITY), 9-1-43 (APPEALS), and 9-1-44 (ADMINISTRATIVE RULINGS), and to enact new Sections 9-1-18.1 (BEGINNER'S LICENSE FOR CERTAIN BUSINESS WHEN TAX IS BASED ON GROSS RECEIPTS), 9-1-43.1 (ADMINISTRATIVE APPEAL TO STATE TAX COMMISSIONER), and 9-1-43.2 (JUDICIAL REVIEW OF DETERMINATION OF STATE TAX COMMISSIONER), of Article A (GENERAL PROVISIONS); to amend and reordain Section 9-1-78 (WHOLESALE MERCHANTS) of Article C (NONREGULATORY LICENSES), and to amend and reordain Section 9-1-116 (SAME-FEES) of Article E (DISTRESS MERCHANDISE SALES), all of Chapter 1 (BUSINESS LICENSES), Title 9 (LICENSING AND REGULATION), of the Code of the City of Alexandria, Virginia, 1981, as amended.

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That Sections 9-1-4, 9-1-6, 9-1-12, 9-1-18, 9-1-42, 9-1-43, and 9-1-44 of the Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby are, amended and reordained, and that Sections 9-1-18.1, 9-1-43.1, and 9-1-43.2 be, and the same hereby are, enacted as part of Article A, Chapter 1, Title 9, of the Code of the City of Alexandria, Virginia, 1981, as amended, to read as follows:

Section 9-1-4 License year.

Except where otherwise herein specifically provided, the license year shall begin on January 1 in each year and shall end on December 31 of each year. The business license shall remain valid until February 28 of the following year.

Section 9-1-6 Levy.

- (a) For the privilege of engaging in a business in the city, there are hereby levied upon, and there shall be assessed against and collected from, the person engaging in the business an annual license tax as set forth in this chapter, which license tax shall be for the support of the city government, the payment of the city debts and interest thereon and for other municipal purposes.
- (b) Except as provided in sections 9-1-18 and 9-1-18.1 of this chapter, any license tax which is based in whole or in part on gross receipts shall be measured by the gross receipts ~~with situs in the city, under section 9-1-7 for the license year next~~

1 preceding the then current license year from the base year as defined in section 9-  
2 1-2 of this chapter.

3  
4 Section 9-1-12 Penalty for failure to pay when due.

- 5  
6 (a) There shall be a penalty of 10 percent or \$10, whichever is greater, added to all  
7 license taxes levied under the provisions of this chapter that are unpaid on the due  
8 dates thereof and are, therefore, delinquent.  
9  
10 (b) ~~In addition thereto, interest at the rate of 10 percent per annum on the delinquent~~  
11 ~~license taxes and penalty shall commence on the first day following the day such~~  
12 ~~taxes are due.~~ Penalty shall commence on the first day following the day such  
13 taxes are due.  
14  
15 (c) ~~The penalties~~ Penalty and interest shall not be imposed, or if imposed shall be  
16 abated, by the director if the failure to pay license taxes when due was not the  
17 fault of the licensee. In order to demonstrate lack of fault, the licensee must show  
18 that he acted responsibly and that his failure to pay was due to events beyond his  
19 control. The term "acted responsibly" means that (i) the licensee exercised the  
20 same care that a reasonable and prudent person engaged in business would have  
21 exercised in determining the filing obligations for the business, and (ii) the  
22 licensee undertook significant steps to avoid or to mitigate his failure, such as  
23 promptly rectifying the failure once discovered.  
24

25 Section 9-1-18 Beginner's license when tax is based on gross receipts.

- 26  
27 (a) Every person beginning a business which is subject to a license tax under the  
28 provisions of this chapter based in whole or in part on gross receipts shall estimate  
29 the amount of the gross receipts that he will receive between the date of beginning  
30 business and the end of the then current license year, and his license tax for the  
31 current year shall be computed upon that estimate, according to the provisions of  
32 this section, except as provided in Section 9-1-18.1.  
33  
34 (b) ~~Every person conducting a business which is subject to a license tax under the~~  
35 ~~provisions of this chapter based in whole or in part on gross receipts who began~~  
36 ~~the business during the license year next preceding the then current license year~~  
37 ~~shall estimate the amount of the gross receipts the business will receive during the~~  
38 ~~current license year, and his license year shall be computed upon that estimate.~~  
39  
40 (b) For the first calendar year of operation of the business (the then current license  
41 year), the license tax shall be at the applicable rate, based upon estimated gross  
42 receipts for that year.  
43  
44 (c) For the second calendar year of the operation of the business:

1 (1) if the gross receipts for the previous year (the first calendar year of  
2 operation of the business) were less than or equal to \$2,000,000, his  
3 license tax shall be \$50, plus an amount determined, based upon actual  
4 gross receipts for the previous year (the first calendar year of operation of  
5 the business), as follows:

6  
7 (A) if the gross receipts for the previous year were less than or equal to  
8 \$10,000, \$0;

9  
10 (B) if the gross receipts for the previous year were greater than  
11 \$10,000, but less than or equal to \$100,000, \$50; or

12  
13 (C) if the gross receipts for the previous year were greater than  
14 \$100,000, an amount as determined at the applicable rate; and

15  
16 all businesses under this subsection (c)(1) shall also receive a credit for  
17 the license tax assessed in subsection (b) of this section; or

18  
19 (2) if the gross receipts for the previous year (the first calendar year of  
20 operation of the business) were greater than \$2,000,000, his license tax  
21 shall be the total of:

22  
23 (A) an amount determined at the applicable rate, based upon actual  
24 gross receipts for the previous year; and

25  
26 (B) an amount determined, based upon estimated gross receipts for the  
27 second calendar year of operation of the business, as follows:

28  
29 (i) if such gross receipts are estimated to be less than or equal to  
30 \$10,000, \$0;

31  
32 (ii) if such gross receipts are estimated to be greater than \$10,000, but  
33 less than or equal to \$100,000, \$50; or

34  
35 (iii) if such gross receipts are estimated to be greater than \$100,000, an  
36 amount as determined at the applicable rate; and

37  
38 all business under this subsection (c)(2) shall also receive a credit for the  
39 license tax assessed in subsection (b) of this section.

40  
41 (d) For the third calendar year of the operation of the business:

42  
43 (1) if the gross receipts for the first calendar year of operation of the business  
44 were less than or equal to \$2,000,000, his license tax shall be in an amount

determined, based upon actual gross receipts for the previous year (the second calendar year of operation of the business), as follows:

(A) if the gross receipts for the previous year were less than or equal to \$10,000, \$0;

(B) if the gross receipts for the previous year were greater than \$10,000, but less than or equal to \$100,000, \$50; or

(C) if the gross receipts for the previous year were greater than \$100,000, an amount as determined at the applicable rate; or

(2) if the gross receipts for the first calendar year of operation of the business were greater than \$2,000,000, his license tax shall be the total of:

(A) an amount determined, based upon actual gross receipts for the previous year (the second calendar year of operation of the business), less a credit for that portion of the license tax assessed in subsection (c)(2)(B) of this section, as follows:

(i) if the gross receipts were less than or equal to \$10,000, \$0;

(ii) if the gross receipts were greater than \$10,000, but less than or equal to \$100,000, \$50; or

(iii) if the gross receipts were greater than \$100,000, an amount as determined at the applicable rate; and

(B) an amount determined, based upon actual gross receipts for the previous year (the second calendar year of operation of the business), as follows:

(i) if the gross receipts were less than or equal to \$10,000, \$0;

(ii) if the gross receipts were greater than \$10,000, but less than or equal to \$100,000, \$50; or

(iii) if the gross receipts were greater than \$100,000, an amount as determined at the applicable rate.

(e) For the fourth and subsequent calendar years of the operation of the business:

(1) if the gross receipts for the previous year were less than or equal to \$10,000, no license tax shall be imposed for such year;

1           (2)    if the gross receipts for the previous year were greater than \$10,000, but  
2                less than or equal to \$100,000, his license tax shall be \$50 for such year;  
3                or

4  
5           (3)    if the gross receipts for the previous year were greater than \$100,000, his  
6                license tax shall be at the applicable rate, based upon actual gross receipts  
7                for the previous year.

8  
9        (e) (f) Whenever a license tax is so computed upon estimated gross receipts of greater  
10       than \$2,000,000, any erroneous estimate shall be subject to correction. In the case of an  
11       underestimate, the director shall assess the person with any additional license tax found to  
12       be due after the close of the current license year, and, in case of an overestimate, the  
13       licensee shall be entitled to a credit upon his license taxes payable the following year.

14  
15    Section 9-1-18.1 Beginner's license for certain businesses when tax is based on gross receipts.

16  
17       (a)    The provisions of this section shall apply to every person beginning a business  
18       which is subject to a license tax under the provisions of this chapter based in whole or in  
19       part on gross receipts, and who estimates that the amount of the gross receipts that he will  
20       receive between the date of beginning business and the end of the then current license  
21       year will be less than or equal to \$2,000,000.

22  
23       (b)    For the first calendar year of operation of the business (the then current license  
24       year), his license tax shall be \$50, unless the estimate of the amount of the gross  
25       receipts that he will receive between the date of beginning business and the end of  
26       the then current license year is less than or equal to \$100,000, in which case no  
27       license tax shall be imposed for the first calendar year of operation of the  
28       business.

29  
30       (c)    For the second calendar year of the operation of the business:

31  
32           (1)    if the gross receipts for the previous year (the first calendar year of  
33                operation of the business) were less than or equal to \$10,000, no license  
34                tax shall be imposed for the second calendar year of operation of the  
35                business;

36  
37           (2)    if the gross receipts for the previous year (the first calendar year of  
38                operation of the business) were greater than \$10,000, but less than or equal  
39                to \$100,000, his license tax shall be \$50;

40  
41           (3)    if the gross receipts for the previous year (the first calendar year of  
42                operation of the business) were greater than \$100,000, but less than or  
43                equal to \$2,000,000, his license tax shall be at the applicable rate, based

1                   upon actual gross receipts for the previous year (the first calendar year of  
2                   operation of the business); or

3  
4           (4)   if the gross receipts for the previous year (the first calendar year of  
5               operation of the business) were greater than \$2,000,000, his license tax  
6               shall be the total of:

7  
8               (A)   an amount determined at the applicable rate, based upon actual  
9               gross receipts for the previous year (the first calendar year of operation of  
10              the business); and

11  
12              (B)   an amount determined, based upon estimated gross receipts for the  
13              current year, as follows:

14  
15                   (i)   if such gross receipts are estimated to be less than or equal  
16                   to \$10,000, \$0;

17  
18                   (ii)   if such gross receipts are estimated to be greater than  
19                   \$10,000, but less than or equal to \$100,000, \$50; or

20  
21                   (iii)   if such gross receipts are estimated to be greater than  
22                   \$100,000, an amount as determined at the applicable rate.

23  
24           (5)   A business with gross receipts for the previous year (the first calendar year  
25               of operation of the business) greater than \$2,000,000 shall also receive a  
26               credit from the amount due of any amount paid under subsection (b) of  
27               this section.

28  
29   (d)   For the third calendar year of the operation of the business:

30  
31           (1)   if the gross receipts for the first calendar year of operation of the business  
32               were less than or equal to \$2,000,000, his license tax shall be determined  
33               as follows, based upon the actual gross receipts for the previous year (the  
34               second calendar year of operation of the business):

35  
36                   (A)   if the gross receipts for the previous year were less than or equal to  
37                   \$10,000, \$0;

38  
39                   (B)   if the gross receipts for the previous year were greater than  
40                   \$10,000, but less than or equal to \$100,000, \$50; or

41  
42                   (C)   if the gross receipts for the previous year were greater than  
43                   \$100,000, an amount determined at the applicable rate; or

44  
45           (2)   if the gross receipts for the first calendar year of operation of the business  
46               were greater than \$2,000,000, his license tax shall be the total of:



1  
2 (A) an amount determined, based upon actual gross receipts for the  
3 previous year (the second calendar year of operation of the business), less  
4 a credit for the tax paid on the amount of gross receipts for the previous  
5 year estimated in subsection (c)(4)(B) of this section, as follows:  
6

7 (i) if the gross receipts for the previous year were less than or  
8 equal to \$10,000, \$0;  
9

10 (ii) if the gross receipts for the previous year were greater than  
11 \$10,000, but less than or equal to \$100,000, \$50; or  
12

13 (iii) if the gross receipts were greater than \$100,000, an amount  
14 as determined at the applicable rate; and  
15

16 (B) an amount determined, based upon actual gross receipts for the  
17 previous year (the second calendar year of operation of the business), as  
18 follows:  
19

20 (i) if the gross receipts for the previous year were less than or  
21 equal to \$10,000, \$0;  
22

23 (ii) if the gross receipts for the previous year were greater than  
24 \$10,000, but less than or equal to \$100,000, \$50; or  
25

26 (iii) if the gross receipts were greater than \$100,000, an amount  
27 as determined at the applicable rate.  
28

29 (e) For the fourth and subsequent calendar years of the operation of the business:  
30

31 (1) if the gross receipts for the previous year were less than or equal to  
32 \$10,000, no license tax shall be imposed for such year;  
33

34 (2) if the gross receipts for the previous year were greater than \$10,000, but  
35 less than or equal to \$100,000, his license tax shall be \$50 for such year;  
36 or

37 (3) if the gross receipts for the previous year were greater than \$100,000, his  
38 license tax shall be at the applicable rate, based upon actual gross receipts  
39 for the previous year.  
40

41 (f) Whenever a license tax is so computed upon estimated gross receipts of greater  
42 than \$2,000,000, any erroneous estimate shall be subject to correction. In the case  
43 of an underestimate, the director shall assess the person with any additional  
44 license tax found to be due after the close of the current license year, and, in case

1                   of an overestimate, the licensee shall be entitled to a credit upon his license taxes  
2                   payable the following year.

- 3  
4           (g)   The provisions of this section shall not apply to the following business tax  
5                   categories: renting by owners of dwelling units or commercial establishments,  
6                   contractors, wholesale merchants, amusements, public utilities, and regulatory  
7                   activities.

8  
9   Section 9-1-42   Investigations generally; record-keeping; audit authority.

- 10  
11           (a)   The director may make investigations of the things and matters in this chapter laid  
12                   to his charge, and shall have power to summon before him any person whom he  
13                   believes may have knowledge or evidence touching upon the conduct of any  
14                   business in the city or touching upon the possession or operation of any coin-  
15                   operated machine in the city, and to require such person to answer under oath any  
16                   question relating to the matters under investigation.  
17  
18           (b)   Every person who is assessable with a license tax shall keep ~~accurate and correct~~  
19                   sufficient records and books of accounts which reflect true tax liability for the  
20                   current license year and the three previous license years. These records and books  
21                   of accounts may be kept on either a cash or an accrual basis but the system of  
22                   accounts shall be the same as that used for federal income taxes. These records  
23                   and books of accounts shall be kept in such a manner so as to enable the director  
24                   to verify the correctness of the tax paid for the current license years assessable and  
25                   the three previous license years and to enable the director to ascertain what is the  
26                   correct amount of tax that was assessable for each of those years. All such  
27                   records, books of accounts and other information shall be open to inspection and  
28                   examination by the director in order to allow the director to establish whether a  
29                   particular receipt is directly attributable to the taxable privilege exercised within  
30                   the city. In the event that the director conducts an audit pursuant to his authority  
31                   in section 58.1-3109 of the Code of Virginia (1950), the The director shall provide  
32                   the taxpayer with the option to conduct the audit in the taxpayer's local business  
33                   office, if the records are maintained there. In the event the records are maintained  
34                   outside this jurisdiction, copies of the appropriate books and records shall be sent  
35                   to the director's office upon demand.

36  
37   Section 9-1-43   Administrative Appeals to the Director of Finance.

- 38  
39           (a)   Definitions. For purposes of this section:

40  
41                   "Amount in dispute," when used with respect to taxes due or assessed, means the  
42                   amount specifically identified in the administrative appeal or application for  
43                   judicial review as disputed by the party filing such appeal or application.

1  
2 “Appealable event” means an increase in the assessment of a local license tax  
3 payable by a taxpayer, the denial of a refund, or the assessment of a local license  
4 tax where none previously was assessed, arising out of the local assessing  
5 official's (i) examination of records, financial statements, books of account, or  
6 other information for the purpose of determining the correctness of an assessment;  
7 (ii) determination regarding the rate or classification applicable to the licensable  
8 business; (iii) assessment of a local license tax when no return has been filed by  
9 the taxpayer; or (iv) denial of an application for correction of erroneous  
10 assessment attendant to the filing of an amended application for license.

11  
12 “Frivolous” means a finding, based on specific facts, that the party asserting the  
13 appeal is unlikely to prevail upon the merits because the appeal is (i) not well  
14 grounded in fact; (ii) not warranted by existing law or a good faith argument for  
15 the extension, modification, or reversal of existing law; (iii) interposed for an  
16 improper purpose, such as to harass, to cause unnecessary delay in the payment of  
17 tax or a refund, or to create needless cost from the litigation; or (iv) otherwise  
18 frivolous.

19  
20 “Jeopardize by delay” means a finding, based on specific facts, that a taxpayer  
21 desires to (i) depart quickly from the locality; (ii) remove his property therefrom;  
22 (iii) conceal himself or his property; or (iv) do any other act tending to prejudice,  
23 or to render wholly or partially ineffectual, proceedings to collect the tax for the  
24 period in question.

- 25  
26 (a) (b) Filing and contents of administrative appeal. Any person assessed with a license  
27 tax as a result of an appealable event as defined in this section may, within 90  
28 days from the date of such assessment, apply to file an administrative appeal of  
29 the assessment within one year from the last day of the tax year for which such  
30 assessment is made, or within one year from the date of the appealable event,  
31 whichever is later, with the director for a correction of the assessment. The  
32 application appeal shall must be filed in good faith and shall sufficiently identify  
33 the licensee taxpayer, the tax periods covered by the challenged assessments, the  
34 amount in dispute, the remedy sought, each alleged error in the assessment, the  
35 grounds upon which the licensee taxpayer relies, and any other facts relevant to  
36 the licensee's taxpayer's contention. The director may hold a conference with the  
37 taxpayer if requested by the taxpayer, or require submission of additional  
38 information and documents, an audit or further audit, or other evidence deemed  
39 necessary for a proper and equitable determination of the appeal and may conduct  
40 an audit. The assessment placed at issue in the appeal shall be deemed prima  
41 facie correct. The director shall undertake a full review of the licensee's  
42 taxpayer's claims and; upon the conclusion of such review, issue a written

determination ~~on the appeal to the taxpayer~~ setting forth the director's position facts and arguments in support of his decision.

(b) ~~Any licensee aggrieved by an audit conducted by the director may appeal the audit findings in the manner set forth in subsection (a). Any new or revised assessment resulting from an audit shall be accompanied by a written explanation of the licensee's right to apply for a correction of the assessment and of the specific procedure to be followed.~~

(c) Notice of right of appeal and procedures. Every assessment made by a director pursuant to an appealable event shall include or be accompanied by a written explanation of the taxpayer's right to file an administrative appeal and the specific procedures to be followed in the jurisdiction (the name and address to which the appeal should be directed), an explanation of the required content of the appeal, and the deadline for filing the appeal.

(d) Suspension of collection activity during appeal. Provided a timely and complete administrative appeal is filed, collection activity with respect to the amount in dispute shall be suspended until a final determination is issued by the director, unless (i) the director determines that collection would be jeopardized by delay as defined in this section; (ii) the taxpayer has not responded to a request for relevant information after a reasonable time; or (iii) the appeal is frivolous as defined in this section. Interest shall accrue in accordance with the provisions of Section 9-1-46, but no further penalty shall be imposed while collection action is suspended.

(e) Procedure in event of nondecision. Any taxpayer whose administrative appeal to the director pursuant to the provisions of this section has been pending for more than one year without the issuance of a final determination may, upon not less than 30 days' written notice to the director, elect to treat the appeal as denied and appeal the assessment to the State Tax Commissioner in accordance with the provisions of subdivision 6 of this subsection. The State Tax Commissioner shall not consider an appeal filed pursuant to the provisions of this subsection if he finds that the absence of a final determination on the part of the director was caused by the willful failure or refusal of the taxpayer to provide information requested and reasonably needed by the director to make his determination.

#### Section 9-1-43.1 Administrative Appeal to the State Tax Commissioner.

(a) Any person assessed with a local license tax as a result of a determination, upon an administrative appeal to the director pursuant to Section 9-1-43, that is adverse to the position asserted by the taxpayer in such appeal may appeal such assessment to the State Tax Commissioner within 90 days of the date of the determination by the director. The appeal shall be in such form as the State Tax Commissioner may prescribe and the taxpayer shall serve a copy of the appeal

1 upon the director. The State Tax Commissioner shall permit the director to  
2 participate in the proceedings, and shall issue a determination to the taxpayer  
3 within 90 days of receipt of the taxpayer's application, unless the taxpayer and the  
4 director are notified that a longer period will be required. The appeal shall  
5 proceed in the same manner as an application pursuant to Virginia Code § 58.1-  
6 1821 and amendment(s) thereto, and the State Tax Commissioner may issue an  
7 order correcting such assessment pursuant to Virginia Code § 58.1-1822 and any  
8 amendment(s) thereto.  
9

10 (b) Suspension of collection activity during appeal. On receipt of a notice of intent to  
11 file an appeal to the State Tax Commissioner under subsection (a) of this section,  
12 collection activity with respect to the amount in dispute shall be suspended until a  
13 final determination is issued by the State Tax Commissioner, unless (i) the  
14 director determines that collection would be jeopardized by delay as defined in  
15 Section 9-1-43; (ii) the taxpayer has not responded to a request for relevant  
16 information after a reasonable time; or (iii) the appeal is frivolous as defined in  
17 Section 9-1-43. Interest shall accrue in accordance with the provisions of Section  
18 9-1-46, but no further penalty shall be imposed while collection action is  
19 suspended. The requirement that collection activity be suspended shall cease  
20 unless an appeal pursuant to subsection (a) of this section is filed and served on  
21 the necessary parties within 30 days of the service of notice of intent to file such  
22 appeal.  
23

24 (c) Implementation of determination of State Tax Commissioner. Promptly upon  
25 receipt of the final determination of the State Tax Commissioner with respect to  
26 an appeal pursuant to subsection (a) of this section, the director shall take those  
27 steps necessary to calculate the amount of tax owed by or refund due to the  
28 taxpayer consistent with the State Tax Commissioner's determination and shall  
29 provide that information to the taxpayer.  
30

31 (1) If the determination of the State Tax Commissioner sets forth a specific  
32 amount of tax due, the director shall issue a bill to the taxpayer for such amount  
33 due, together with interest accrued, within 30 days of the date of the determination  
34 of the State Tax Commissioner.  
35

36 (2) If the determination of the State Tax Commissioner sets forth a specific  
37 amount of refund due, the director shall issue a payment to the taxpayer for such  
38 amount due, together with interest accrued pursuant to this section, within 30 days  
39 of the date of the determination of the State Tax Commissioner.  
40

41 (3) If the determination of the State Tax Commissioner does not set forth a  
42 specific amount of tax due, or otherwise requires the director to undertake a new  
43 or revised assessment that will result in an obligation to pay a tax that has not  
44 previously been paid in full, the director shall promptly commence the steps

1 necessary to undertake such new or revised assessment, and provide the same to  
2 the taxpayer within 60 days of the date of the determination of the State Tax  
3 Commissioner, or within 60 days after receipt from the taxpayer of any additional  
4 information requested or reasonably required under the determination of the State  
5 Tax Commissioner, whichever is later. The director shall issue a bill to the  
6 taxpayer for the amount due, together with interest accrued, within 30 days of the  
7 date of the new assessment.

8  
9 (4) If the determination of the State Tax Commissioner does not set forth a  
10 specific amount of refund due, or otherwise requires the director to undertake a  
11 new or revised assessment that will result in an obligation on the part of the  
12 locality to make a refund of taxes previously paid, the director shall promptly  
13 commence the steps necessary to undertake such new or revised assessment, and  
14 provide the same to the taxpayer within 60 days of the date of the determination of  
15 the State Tax Commissioner, or within 60 days after receipt from the taxpayer of  
16 any additional information requested or reasonably required under the  
17 determination of the State Tax Commissioner, whichever is later. The director  
18 shall issue a refund to the taxpayer for the amount of tax due, together with  
19 interest accrued, within 30 days of the date of the new assessment.  
20

21 Section 9-1-43.2 Judicial Review of Determination of State Tax Commissioner.  
22

23 (a) Judicial review. Following the issuance of a final determination of the State Tax  
24 Commissioner pursuant to Section 9-1-43.1, the director may apply to the circuit  
25 court for judicial review of the determination, or any part thereof, pursuant to  
26 Virginia Code § 58.1-3984 and any amendment(s) thereto. In any such  
27 proceeding for judicial review of a determination of the State Tax Commissioner,  
28 the burden shall be on the party challenging the determination of the State Tax  
29 Commissioner, or any part thereof, to show that the ruling of the State Tax  
30 Commissioner is erroneous with respect to the part challenged. Neither the State  
31 Tax Commissioner nor the Virginia Department of Taxation shall be made a party  
32 to an application to correct an assessment merely because the State Tax  
33 Commissioner has ruled on it.  
34

35 (b) Suspension of payment of disputed amount of tax due upon taxpayer's notice of  
36 intent to initiate judicial review.  
37

38 (1) On receipt of a notice of intent to file an application for judicial review,  
39 pursuant to Virginia Code § 58.1-3984 and any amendment(s) thereto, of a  
40 determination of the State Tax Commissioner pursuant to Section 9-1-  
41 43.1, and upon payment of the amount of the tax that is not in dispute  
42 together with any penalty and interest then due with respect to such  
43 undisputed portion of the tax, the director shall further suspend collection  
44 activity while the court retains jurisdiction unless the court, upon

1 appropriate motion after notice and an opportunity to be heard, determines  
2 that (i) the taxpayer's application for judicial review is frivolous, as  
3 defined in Section 9-1-43; (ii) collection would be jeopardized by delay, as  
4 defined in Section 9-1-43; or (iii) suspension of collection would cause  
5 substantial economic hardship to the locality. For purposes of determining  
6 whether substantial economic hardship to the locality would arise from a  
7 suspension of collection activity, the court shall consider the cumulative  
8 effect of then-pending appeals filed within the locality by different  
9 taxpayers that allege common claims or theories of relief.

- 10  
11 (2) Upon a determination that the appeal is frivolous, that collection may be  
12 jeopardized by delay, or that suspension of collection would result in  
13 substantial economic hardship to the locality, the court may require the  
14 taxpayer to pay the amount in dispute or a portion thereof, or to provide  
15 surety for payment of the amount in dispute in a form acceptable to the  
16 court.  
17  
18 (3) No suspension of collection activity shall be required if the application for  
19 judicial review fails to identify with particularity the amount in dispute.  
20  
21 (4) The requirement that collection activity be suspended shall cease unless an  
22 application for judicial review pursuant to § 58.1-3984 and any  
23 amendment(s) thereto is filed and served on the necessary parties within  
24 30 days of the service of the notice of intent to file such application.  
25  
26 (5) The suspension of collection activity authorized by this subdivision shall  
27 not be applicable to any appeal of a local license tax that is initiated by the  
28 direct filing of an action pursuant to § 58.1-3984 and any amendment(s)  
29 thereto without prior exhaustion of the appeals provided by Sections 9-1-  
30 43 and 9-1-43.1.  
31

32 (c) Suspension of payment of disputed amount of refund due upon city's notice of  
33 intent to initiate judicial review.  
34

- 35 (1) Payment of any refund determined to be due pursuant to the determination  
36 of the State Tax Commissioner of an appeal pursuant to Section 9-1-43.1  
37 shall be suspended if the city serves upon the taxpayer, within 60 days of  
38 the date of the determination of the State Tax Commissioner, a notice of  
39 intent to file an application for judicial review of the State Tax  
40 Commissioner's determination pursuant to § 58.1-3984 and any  
41 amendment(s) thereto and pays the amount of the refund not in dispute,  
42 including tax and accrued interest. Payment of such refund shall remain  
43 suspended while the court retains jurisdiction unless the court, upon  
44 appropriate motion after notice and an opportunity to be heard, determines

1                    that the city's application for judicial review is frivolous, as defined in this  
2                    section.

3                    (2)    No suspension of refund activity shall be permitted if the city's application  
4                    for judicial review fails to identify with particularity the amount in dispute.

5  
6                    (3)    The suspension of the obligation to make a refund shall cease unless an  
7                    application for judicial review pursuant to § 58.1-3984 and any  
8                    amendment(s) thereto is filed and served on the necessary parties within  
9                    30 days of the service of the notice of intent to file such application.

10  
11                    (d)    Accrual of interest on unpaid amount of tax. Interest shall accrue in accordance  
12                    with the provisions of Section 9-1-46, but no further penalty shall be imposed  
13                    while collection action is suspended.

14  
15    Section 9-1-44 Administrative rulings.

16  
17    Any ~~licensee~~ taxpayer or authorized representative of a taxpayer may request a written ruling  
18    from the director regarding the application of the tax levied by this chapter to a specific situation.  
19    ~~A licensee~~ Any person requesting such a ruling shall must provide all the facts relevant ~~facts for~~  
20    to the situation placed at issue and may present a rationale for the basis of an interpretation of the  
21    law most favorable to the ~~licensee~~ taxpayer. Any misrepresentation ~~by the licensee and any or~~  
22    change in the applicable law or the factual situation as presented in the ruling request shall  
23    invalidate any such ruling issued. A written ruling may be prospectively revoked or  
24    prospectively amended if (i) there is a ~~court decision or a change in the law or regulation change~~  
25    in the law, a court decision, or the guidelines issued by the Virginia Department of Taxation  
26    upon which the ruling was based, or (ii) the director notifies the ~~licensee~~ taxpayer of a change in  
27    the policy or interpretation upon which the ruling was based. ~~A~~ However, any person who acts  
28    on a written ruling which later becomes invalid shall be deemed to have acted in good faith  
29    during the period in which the ruling was in effect.

30  
31                    Section 2. That Section 9-1-78 of the Code of the City of Alexandria, Virginia,  
32    1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

33  
34    Section 9-1-78 Wholesale merchants.

35  
36                    Every person who engages in or conducts the business of a wholesale merchant in, and  
37    who maintains a definite place of business in, the city shall pay for the privilege of doing so an  
38    annual license tax of \$50 or, if the business' ~~annual gross receipts~~ purchases with situs in the city  
39    equal or exceed \$100,000, \$0.05 for each \$100 of all the business' ~~gross receipts~~ purchases with  
40    such situs, ~~whichever amount is greater.~~



Section 3. That Section 9-1-116 of the Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

**Section 9-1-116 Same—fees.**

The fee for licenses issued pursuant to this article shall be \$30 \$50 or twenty cents (\$0.20) for each \$100 of gross receipts from sales during the entire period of the distress merchandise sale, whichever is greater. The license may be renewed without fee under the conditions prescribed in section 9-1-121 of this code.

Section 4. That this ordinance shall become effective July 1, 2005.

WILLIAM D. EUILLE  
Mayor

Introduction:	6/14/2005
First Reading:	6/14/2005
Publication:	
Public Hearing:	
Second Reading	
Final Passage:	